

# New Revenue Tools Study

## Executive Summary

City of Mississauga



## New Revenue Tools Study – City of Mississauga

9.16

- 1 Summary of Key Findings
- 2 Introduction and Approach
- 3 Summary Jurisdictional Scan
- 4 Analysis Of Revenue Tools

### NOTICE

Ernst & Young LLP (EY) prepared the attached report only for the City of Mississauga (“The City” “Client”) pursuant to an agreement solely between EY and Client. EY did not perform its services on behalf of or to serve the needs of any other person or entity. Accordingly, EY expressly disclaims any duties or obligations to any other person or entity based on its use of the attached report. Any other person or entity must perform its own due diligence inquiries and procedures for all purposes, including, but not limited to, satisfying itself as to the financial condition and control environment of The City and any of its funded operations, as well as the appropriateness of the accounting for any particular situation addressed by the report.

While EY undertook a thorough review of potential revenue tools per the terms of agreement, EY did not express any form of assurance on accounting matters, financial statements, any financial or other information or internal controls. EY did not conclude on the appropriate accounting treatment based on specific facts or recommend which accounting policy/treatment The City or any funded operations should select or adopt. EY also did not express an opinion on the appropriateness of implementing any of the revenue tools in this document.

The observations relating to all matters that EY provided to The City were designed to assist The City in reaching its own conclusions and do not constitute EY’s concurrence with or support of Client’s accounting or reporting or any other matters.



# Summary of Key Findings



# Key Findings

9.16

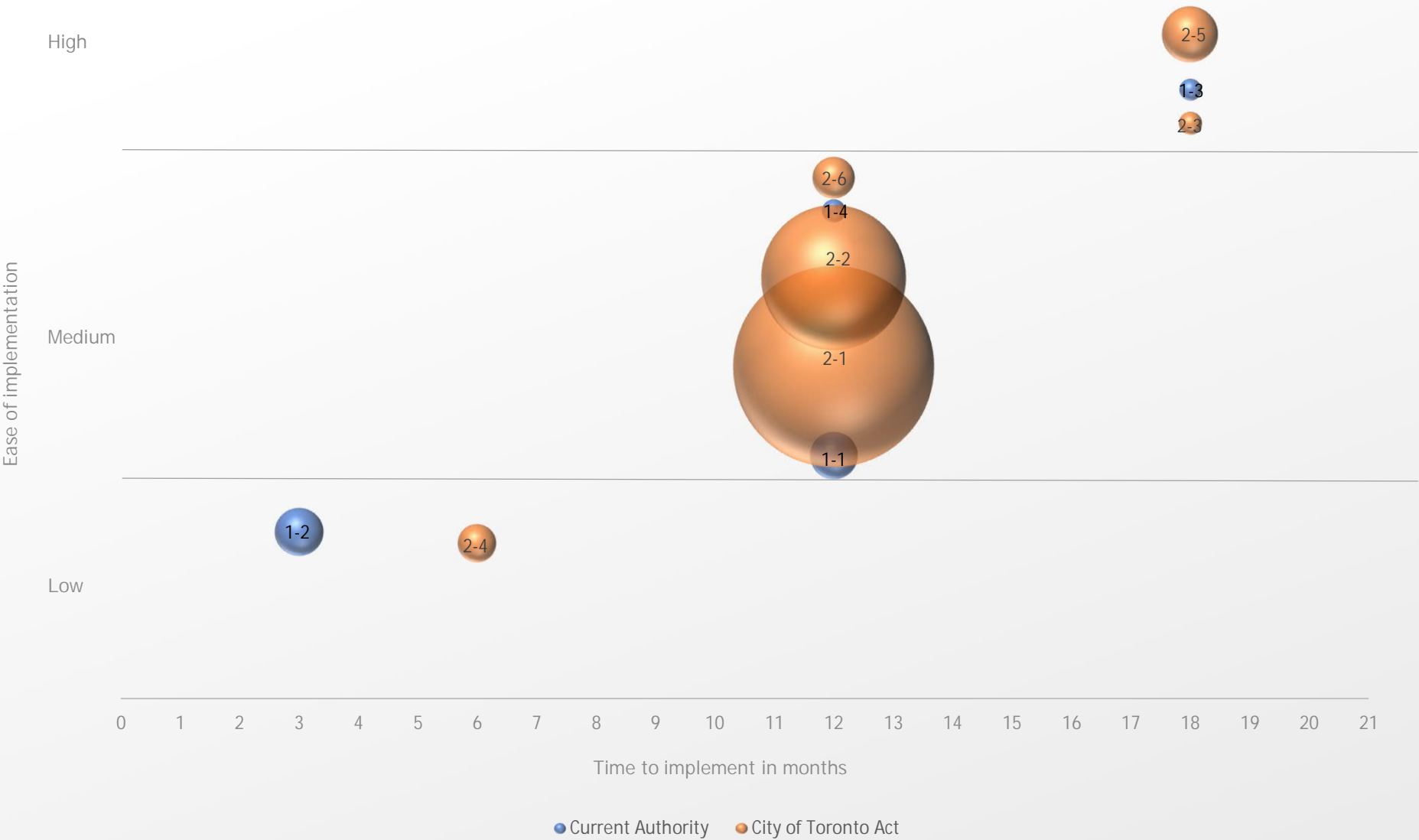
- 1
- Mississauga is generating less revenue per capita when compared to benchmarked municipalities, suggesting that the City has room to grow its total revenue
- The Municipal Act constrains the sources of revenue available to Mississauga; given the same authority the City of
- 2
- Toronto has would greatly expand Mississauga’s ability to raise new revenues and provides a rationale for seeking this specific set of tools (i.e. equal treatment with the City of Toronto)
- 3
- For many revenue tools (both within existing authority and requiring new authority), a regional approach is needed to maximize revenue

Revenue Tools Considered by Authority Required					
Current Authority		City of Toronto Act		Additional Legislative Change	
1-1	Vacant Homes Tax	2-1	Land Transfer Tax	Non-Resident Speculation Tax	Single Use Plastics Tax
1-2	Incremental Property Tax Levies	2-2	Vehicle Registration Tax	Gaming Revenues	Road Use Pricing
1-3	Landfill Levy	2-3	Amusement Tax	Climate Mitigation Tax	Poll Tax
1-4	Ride Sharing Fees	2-4	Advertising Tax	Energy Mitigation Program	Sales Taxes
		2-5	Alcoholic Beverage Tax	Parking Tax	Payroll Tax
		2-6	Tobacco Taxes	Fuel Tax	Municipal Income Tax
				Food Waste Tax	
Conducted detailed analysis, including financial estimates and implementation challenges			Conducted preliminary analysis only (no financial estimates)		

# High Level View Of Revenue Tools

9.16

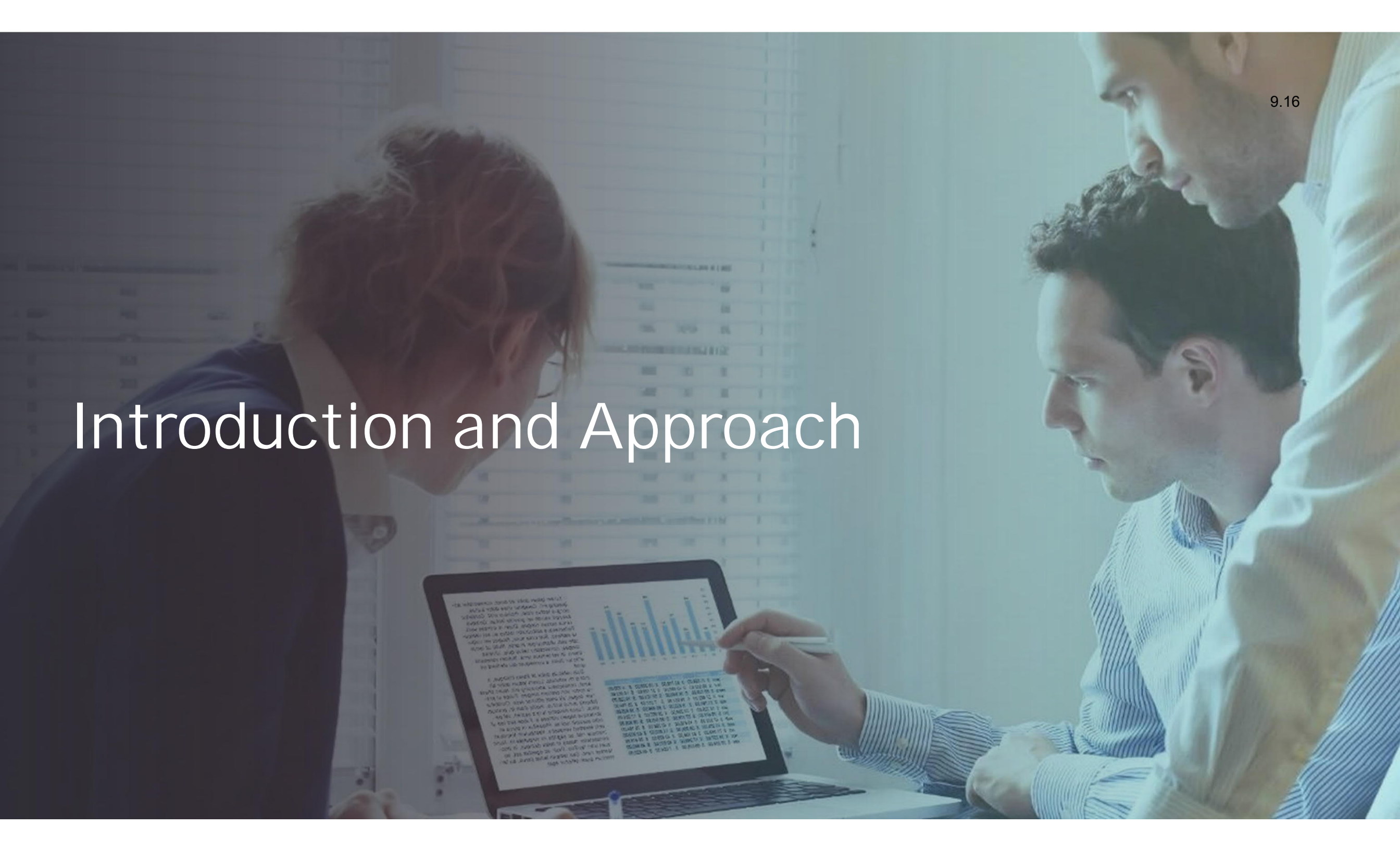
Of the revenue tools analyzed, the Land Transfer Tax and Vehicle Registration Tax have the highest potential revenue generating capacity by a significant margin.



Potential revenue tools	
Current Authority	
1-1	Vacant Homes Tax
1-2	Incremental Property Tax Levies
1-3	Landfill Levy
1-4	Ride Sharing Fees
City of Toronto Act	
2-1	Land Transfer Tax
2-2	Vehicle Registration Tax
2-3	Amusement Tax
2-4	Advertising Tax
2-5	Alcoholic Beverage Tax
2-6	Tobacco Taxes

Note: Size of bubble indicates potential dollar value (see page 15). All financial estimates are preliminary, subject to revision and could change significantly.

# Introduction and Approach





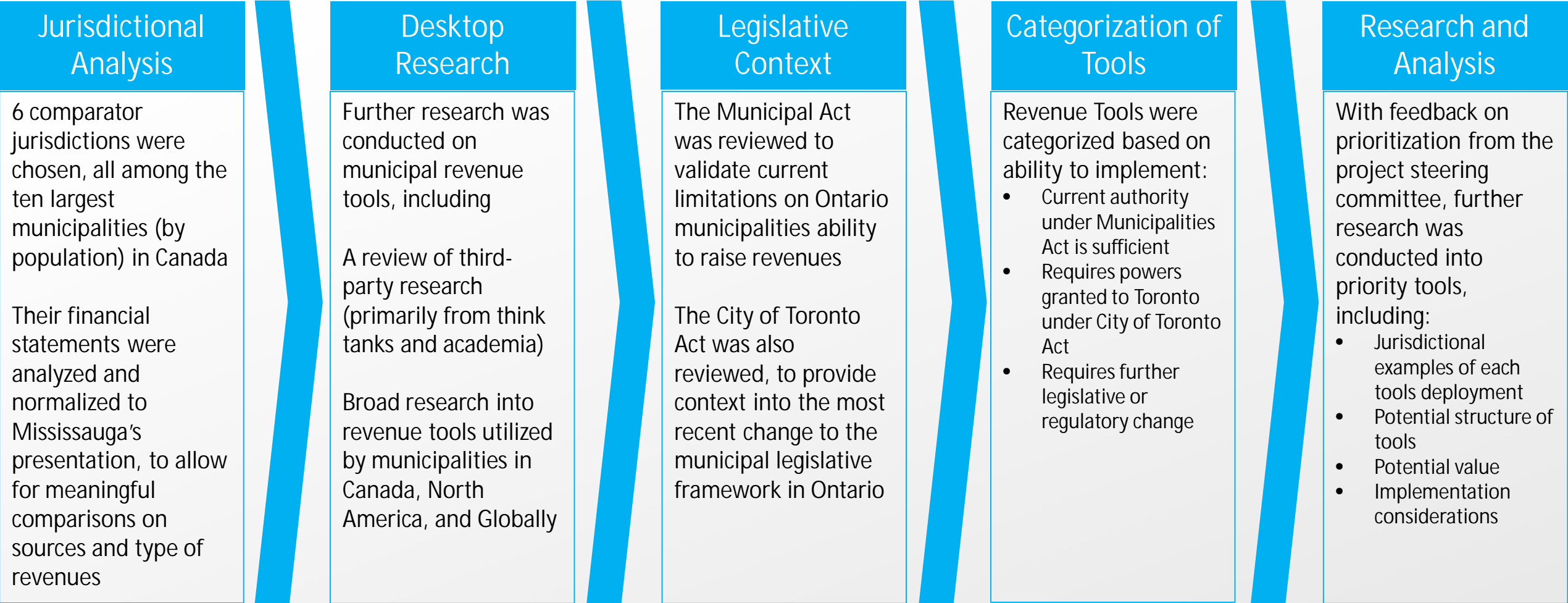
# Introduction

9.16

- Historic and projected growth have put pressure on the City of Mississauga's finances
- The ability to raise revenue has not kept up with City's growth and evolution
  - The Municipal Act in Ontario limits the ability of municipalities to raise revenue, with only the City of Toronto having been provided some limited flexibility to use incremental revenue tools
- This report focuses on potential revenue tools available to the City of Mississauga and provides first-order estimates of their revenue raising potential and a description of the current barriers to implementation (including legislative); it also consider additional implementation considerations, including the potential impact on residents and businesses and the importance of regional co-operation for optimal outcomes
  - Revenue estimates do not take into account potential behavioral changes, and should be viewed as preliminary and directional in nature only.
- The report focuses on those tools currently available to the City and those that would be available if Mississauga were given the same revenue tools defined in the City of Toronto act
- The report does not make any recommendations as to the appropriateness of any of these tools, but seeks to provide City Staff and Council an information base with which to inform decision-making

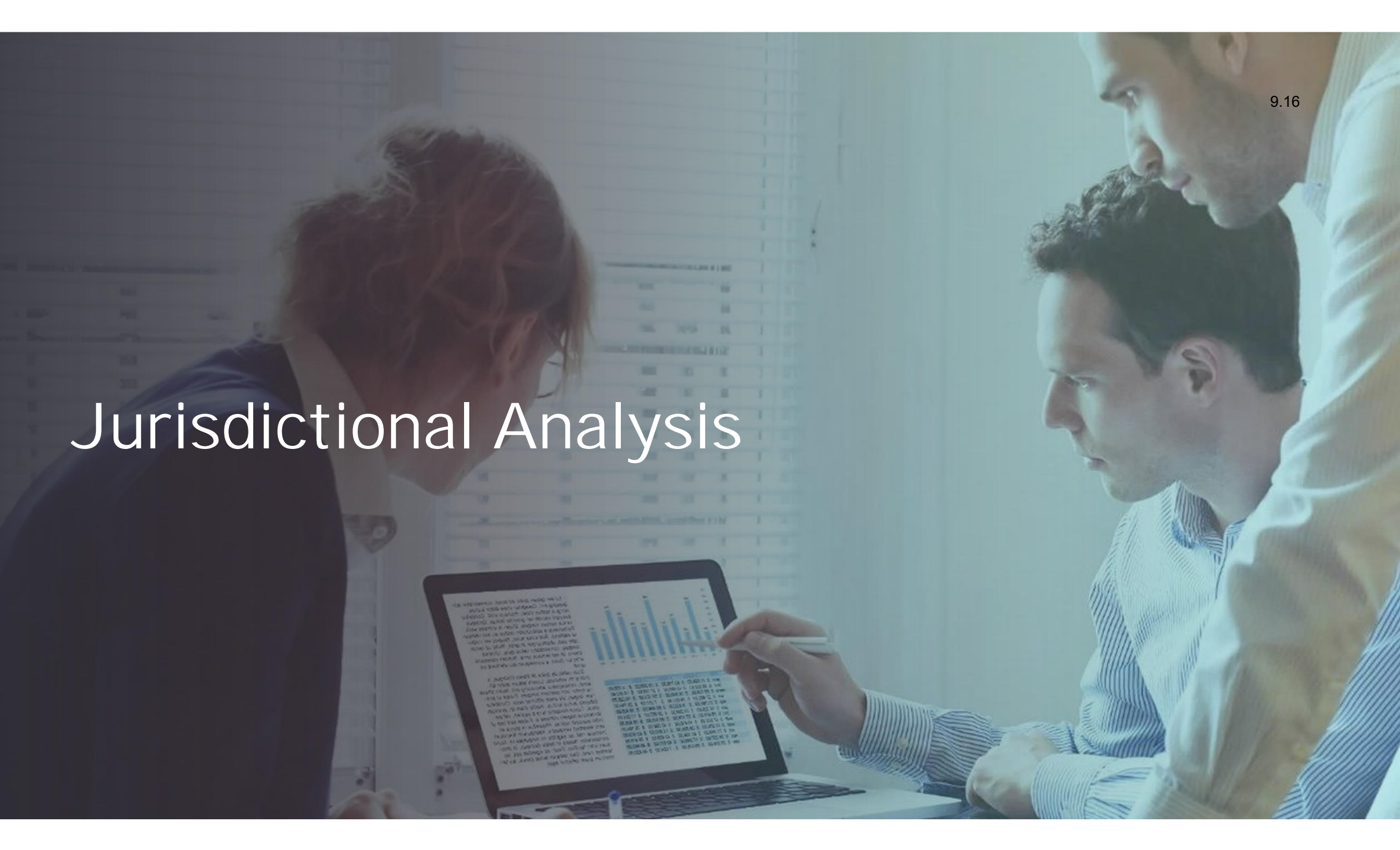
# Approach

The work underpinning this report was conducted through a multi-stage approach that narrowed the focus to those<sup>9.16</sup> revenue tools that are implementable under current authority, or would be if Mississauga had the same powers as the City of Toronto.





# Jurisdictional Analysis



# Jurisdictional Analysis | Key Metrics^

9.16

1

Mississauga is generating less revenue per capita when compared to benchmarked municipalities, suggesting that the City has room to grow its total revenue

Category	Mississauga (Rank in brackets)	Toronto	Brampton	Hamilton	Calgary	Montreal	Vancouver	Average	Average Excluding Toronto**
Type of municipality	Lower Tier	Single tier	Lower Tier	Single tier	Single tier	Single tier	Single tier	N/A	N/A
Population	757,787 (4)	2,956,024	643,302	579,000	1,285,711	2,050,053	685,885	1,279,680	1,000,290
Annual Pop. growth rate (2015-19)	0.49% (7)	1.57%	4.67%	1.26%	1.10%	0.65%	1.47%	1.60%	1.61%
Revenue*	\$2,605,340 (4)	\$14,383,000	\$2,281,355	\$1,997,089	\$5,243,892	\$8,090,466	\$1,966,836	\$5,223,996	\$3,697,496
Revenue per Capita*	\$3,205 (6)	\$4,851	\$3,273	\$3,449	\$4,078	\$3,946	\$2,867	\$3,667	\$3,470
Annual Gross Operating Expenditures* <sup>1</sup>	\$2,184,727 (6)	\$13,469,000	\$1,849,841	\$1,808,200	\$4,525,000	\$5,705,100	\$1,851,000	\$4,484,695	\$2,987,311
Debt	\$2,497,172 (6)	\$20,530,000	\$1,849,871	\$1,590,474	\$5,122,483	\$16,758,701	\$2,655,400	\$7,286,300	\$5,079,017
Debt to revenue ratio*	96% (5)	143%	79%	80%	98%	207%	135%	120%	116%

^ All data is from 2019 Annual reports unless otherwise indicated  
\*To enable comparisons, revenue, operating expenses, and debt numbers for Mississauga and Brampton includes Peel Region, allocated to each lower-tier municipality based on population share  
\*\*For Comparison purposes to remove Toronto's outside impact on the average

# Jurisdictional Analysis | Sources of Revenue

- 9.16
- 1

Jurisdictional comparisons suggest that Mississauga is broadly in line with comparator jurisdictions; however the numbers below do not account for differences in the composition of each City's tax base and as such, should only be used for directional guidance
- 2

The Municipal Land Transfer Tax generates almost 8.5% of Toronto's own-source revenues, reducing their overall reliance on property taxes

Normalized Own Source Revenue by Category (\$,000)														
Category	Mississauga		Toronto^		Brampton		Hamilton		Calgary		Montreal		Vancouver	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Taxation	\$550,983	59.85%	\$4,410,000	46.56%	\$487,002	69.49%	\$917,126	67.78%	\$2,088,755	52.50%	\$3,804,486	60.07%	\$873,498	50.14%
Municipal Accommodation Tax*	\$12,152	1.32%	\$58,000	0.61%	\$-	0.00%	\$-	0.00%	\$-	0.00%	\$-	0.00%	\$-	0.00%
User charges	\$292,332	31.75%	\$3,581,762	37.82%	\$157,360	22.45%	\$357,176	26.40%	\$1,436,265	36.10%	\$2,182,234	34.46%	\$797,519	45.78%
Investment income	\$43,607	4.74%	\$335,000	3.54%	\$27,197	3.88%	\$37,598	2.78%	\$198,927	5.00%	\$167,133	2.64%	\$49,070	2.82%
Penalties and interest on taxes	\$10,806	1.17%	\$218,477	2.31%	\$29,245	4.17%	\$29,938	2.21%	\$98,646	2.48%	\$179,463	2.83%	\$22,152	1.27%
City Share Of Government Enterprise Earnings	\$10,758	1.17%	\$69,000	0.73%	\$-	0.00%	\$11,262	0.83%	\$156,162	3.92%	\$-	0.00%	\$-	0.00%
Municipal Land Transfer Tax	\$-	0.00%	\$799,000	8.44%	\$-	0.00%	\$-	0.00%	\$-	0.00%	\$-	0.00%	\$-	0.00%
Total**	\$920,638		\$9,471,239		\$700,804		\$1,353,100		\$3,978,755		\$6,333,316		\$1,742,239	

\*Brampton is currently preparing for the implementation of a Municipal Accommodation Tax; Hamilton approved a Municipal Accommodation Tax in 2020. Calgary, Montreal and Vancouver all have one but do not report revenue raised separately

\*\*Data presented on this page is own-source revenues only, and differs from the data on the previous slide due to exclusion of Peel Region's revenue for Brampton and Mississauga, and the exclusion of transfers from other levels of government and one-time revenues for all municipalities

^In the absence of the Land Transfer Tax, Toronto would generate 50.8% of its revenue from taxation and 41.3% from User charges

# Analysis of Revenue Tools





# Summary of Tools Mississauga With Current Authority under Municipal Act

9.16

Revenue tools that can be implemented under Mississauga’s current authority come with their own barriers to implementation; however, Mississauga can begin the process to implement immediately

ID	Name Of Tool	Brief Description	Barriers To Implementation
1-1	Vacant Homes Tax	A tax charged to homeowners that leave their units un-occupied or idle for most of the year.	Provincial approval (through a regulation) would be required. The City would need to define the term vacant and the various carve-outs to minimize unintended consequences.
1-2	Incremental Property Tax Levies	Special levy on property tax that is used to fund a specific purpose and is presented as a separate line item on the property tax bill.	Incremental levies should be considered in the context of the overall property tax burden in a given municipality and for each property class.
1-3	Landfill Levy	Levy used to encourage recycling by putting a price for every tonne of waste that is sent to the landfill.	Would require co-operation with Peel Region and the creation of a separate pricing tier for Mississauga residents if the other municipalities in the Region do not also implement the same levies.
1-4	Ride Sharing Fees	A fee on ride sharing services such as Uber and Lyft; either a flat rate per trip or a percentage of the total fare.	Users, drivers and operators of Transportation Network Company (TNC) services could push back as increased fares would negatively impact the drivers and the TNC's finances through these increased fares.

# Summary of Tools Mississauga Can Implement With Same Authority As Toronto

9.16

If given the same authority as the City of Toronto, Mississauga would have a number of additional options to raise revenue, some of which lend themselves to a regional approach to minimize tax avoidance through behavioural change

ID	Name Of Tool	Brief Description	Barriers To Implementation
2-1	Land Transfer Tax	Taxes payable on transfers of land ownership; Most Land Transfer Taxes in Canada are progressive, increasing with the value of the home.	Rates and brackets will need to be defined; exemptions might need to be created to avoid impacting first time buyers and/or dense developments.
2-2	Vehicle Registration Tax	A fee charged on the registration of a vehicle within a jurisdiction, usually in addition to a similar fee at the Provincial level.	Rates will need to be defined.
2-3	Amusement Tax	A levy on the sale of all tickets to entertainment facilities. Could also be applied to any sort of amusement related facilities or events (e.g. annual exhibitions and amusement rides)	Likely requires a regional approach to minimize behavioural changes that will push consumers outside Mississauga.
2-4	Advertising Tax	Sales tax on outdoor advertisements that are within City limits such as Billboards.	Rates will need to be defined at a level that generates revenue without significantly impacting sales.
2-5	Alcoholic Beverage Tax	A tax that would be added on-top of all alcohol sales within the City limits, can be imposed at a retail, and/or at establishments licensed by Ontario's liquor board.	Likely requires a regional approach to minimize behavioural changes that will push consumers outside Mississauga.
2-6	Tobacco Taxes	A tax on all related tobacco items being sold within City limits, collected at point of sale.	Likely requires a regional approach to minimize behavioural changes that will push consumers outside Mississauga; potential to push consumers to contraband tobacco.

# High Level View Of All Tools

9.16

ID	Name Of Tool	Implementation Complexity*	Time To Implement in Months	Can this tax be used for general purposes?	Shared with Region?	Potential Financial Value	Key Assumptions
2-1	Land Transfer Tax	M	12	Y, can be used for general purposes	N	\$76,143,000	Per 1% on all values, exempting first time buyers
2-2	Vehicle Registration Tax	M	12	Y, can be used for general purposes	N	\$39,508,000	\$45 flat fee per vehicle registered
2-5	Alcoholic Beverage Tax	H	18	Y, can be used for general purposes	N	\$5,729,000	Per 1% tax on alcohol at all points of sale
1-1	Vacant Homes Tax	M	12	Y, can be used for general purposes	Y	\$4,216,000	Revenue and ongoing costs shared between City (1/3) and Region (2/3)
1-2	Incremental Property Tax Levies	L	3	N, should be used for a specific special purpose	N	\$4,092,000	Per 1% increase
2-6	Tobacco Taxes	M	12	Y, can be used for general purposes	N	\$3,259,000	Per 1% on each package sold
2-4	Advertising Tax	L	6	Y, can be used for general purposes	N	\$2,600,000	2015 City of Mississauga estimate
1-4	Ride Sharing Fees	L	3	N, should be used for a specific special purpose	N	\$1,000,000	Per \$0.10 per ride increase; estimated revenue is incremental to current ride-sharing fees
2-3	Amusement Tax	H	18	Y, can be used for general purposes	N	\$913,000	Per 1% tax on all amusements
1-3	Landfill Levy	M	12	N, should be used for a specific special purpose	N	\$818,410	Per1% increase

\*Low implementation complexity: use existing collection methods and no negotiation/approval of outside parties required; Medium implementation complexity requires agreement and/or negotiation with a third party; High implementation complexity also requires defining exceptions and/or developing collection/compliance audit mechanism

**EY | Assurance | Tax | Transactions | Advisory****About EY**

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization and may refer to one or more of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit [ey.com](https://ey.com).

For more information, please visit [ey.com/ca](https://ey.com/ca).

[ey.com/ca](https://ey.com/ca)

© 2021 Ernst & Young LLP. All rights reserved.  
A member firm of Ernst & Young Global Limited.